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DEPARTMENT OF ENERGY FOR TYLER TILLER

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TAGS: [ENRG](#) [EPET](#) [PREL](#) [RU](#) [AJ](#) [IT](#)
SUBJECT: GOI NON-PAPER SETS GOAL OF ENERGY
"INTERDEPENDENCE" WITH RUSSIA

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Classified By: ECMINCOUNS THOMAS DELARE BY REASON
OF 1.4(B) AND (D).

¶1. (C) Summary. In late December, the GOI provided the Embassy and Department a non-paper on Italian energy/energy security policy in response to questions raised during the December 11, 2007, meeting between President Bush and Italian President Napolitano. The full text is included below. The non-paper is an excellent summary of GOI policy on energy and energy security issues. It makes clear that from Rome's point of view, the energy relationship between Italy and Russia works and sets out energy interdependence as a fact and goal of GOI policy. This position is diametrically opposed to the goals of USG policy, which seeks to encourage Italy and other EU states to diversify their energy sources, lessening their dependence on Russian oil and natural gas.

¶2. (SBU) Begin Non-paper.

Italy has only limited energy resources, hence it has to import more than 90 percent of its energy needs. This is why Italy has a strategy to diversify energy sources (from Oil to Gas) and suppliers (from North Africa and Middle East to the rest of the world where Oil and Gas are available). By region Italy imports: about 26 percent from North Africa (Libya, Algeria, Egypt, Tunisia), 25 percent from Middle East (Saudi Arabia, Iran, Iraq and other Gulf States), 22 percent from Russia, 10 percent from Europe (Norway, Holland and Germany), 7 percent from former USSR Countries (Kazakhstan, Azerbaijan, and Turkmenistan).

As for Russia, Italy is Moscow's main energy partner together with Germany, with gas imports of over 30 billion cubic meters and a growing partnership in the overall energy field. This partnership includes: the Gas UPSTREAM sector (ENI and ENEL recently took part in the acquisition of ex Yukos gas assets), investments in the electricity sector in Russia started by ENEL and, reciprocally, GAZPROM access to gas distribution in the Italian market. This energy partnership is now extending to other "strategic" sectors, such as banking with Italian Banks Unicredit and Intesa opening branches in Russia.

As far as new infrastructure projects are concerned, last July the Italian Government and the Russian Government signed

an agreement for the implementation of a feasibility study by ENI and GAZPROM towards the realization of a new gas pipeline that would transport around 30 billion cubic meters of gas from Russia to Europe. After crossing the Black Sea, this gas pipeline would follow two different routes starting from Bulgaria: a northbound route would reach Austria, while the other route would reach Italy, probably through Greece.

Italy aims at a partnership that is based on economic interdependence: energy supplies, in exchange for technology and know how. Investments must follow reciprocity principle on both ends of the system: Italian investments in the upstream sector as a condition to opening direct distribution by Russian companies in Italy. Every step is considered using a cautious and realistic approach.

Italy would like this partnership model -- which is also broadly pursued by Germany -- to be a guideline for relations between European Union and Russia. We consider that we should improve the existing degree of dialogue between Europe and Russia. We support relaunching a "European" approach aiming at defining mutual regulations and guarantees for energy supplies, investments and assets.

The relationship between Europe and Russia in this sector should not prevent a European diversification of supply strategy on the example of what Italy carried out in the last few years. In particular Europe should be able to develop her own strategy in the Caspian region. This strategy would not necessarily be conflicting with the Russian presence in the region.

13. (C) Comment. Throughout much of the post-WWII period, Italy sought to establish itself as a middle power between Europe, the Soviet Union, and (after the end of the Cold War) Russia. This intent is not unique to the Italian left -- one

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of Russian President Putin's most ardent suitors was Silvio Berlusconi, who headed Italy's 2001-2006 center-right government. Many of the center-left's political leaders had a youthful enthusiasm for the Soviet Union and its goals; a substantial portion retains a nostalgic and positive regard for Russia. Simply put, many saw little threat from the Soviet Union in its heyday; they see even less from Russia -- even in light of its recent behavior. A December 2007 survey conducted for the Bureau of Public Diplomacy and Public Affairs' Office of Research revealed that 47 percent of Italians somewhat approve of the GOI's handling of relations with Russia. An additional seven percent "strongly approve." The same survey showed that 25 percent of Italians believe that Russia's control of gas supplies to Italy benefits their country.

14. (C) Comment continued. We will continue to engage the GOI on the issue of energy security and diversification of energy supplies. However, given the divergence in how we and the GOI perceive Russia and our policies on this issue, we need to be realistic about our ability to encourage greater energy independence in Italy. Moreover, if we wish to reduce Russia's role as an energy supplier, we will need to be able to answer questions about the cost of alternative sources of energy (both in terms of other sources of natural gas and the replacement of natural gas energy with other, possibly "green," sources of energy). Our interlocutors can also be expected to ask how Italy can reduce Russian inputs without simultaneously increasing supplies from problematic Middle Eastern sources (Iran), raising the cost to the consumer (an apt political question) or increasing carbon emissions). We need to be able to provide the GOI with comprehensive answers to these questions in order to make a credible case for a fundamental change in Italian energy policy.

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